Ontario Northland
TRANSPORTATION COMMISSION

Annual Report 1983

80 Years in the Field of Telecommunications

84- 3947 /

PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Premier

Honourable Leo Bernier, Minister
Ministry of Northern Affairs

COVER THEME

A view of Ontario Northland Telecommunications Microwave Site at Big Piskwanish, 35 miles North of Moosonee.

83rd
ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

for the year ending

December 31, 1983

ONTARIO

MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:
I beg leave to present the 83rd annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1983.

Respectfully submitted,

Leo Bernier,
Minister.

May 31, 1984

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier,
Minister of Northern Affairs,
Parliament Buildings,
Toronto, Ontario.

Sir:
I beg to submit the Annual Report for the year 1983 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner,
Chairman.

May 24, 1984

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins

P.A. Burns, Commissioner, Dryden

N.G. Forth, Commissioner, North Bay

L.A. Foucault, Commissioner, Espanola

N.M. Karam, Commissioner, Cochrane

M.R. Wright, Commissioner, Sault Ste. Marie

A.D. Mortson, Commissioner, Englehart ... appointed June 17, 1983

PRINCIPAL OFFICERS

P.A. Dyment, General Manager

D.E. MacDougall, Assistant General Manager

K.J. Moorehead, Senior Operating Officer - Rail

K.J. Wallace, Senior Director, Passenger Services and Planning

M.C. Hicks, Senior Director, Freight Marketing

REPORT OF THE GENERAL MANAGER

Mr. J.W. Spooner
Chairman

North Bay, Ontario
May 4, 1984

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1983 is respectfully submitted.

Consolidated Net Income

	1983	1982	Increase (Decrease)
	$	$	$
Commercial Operations:			
Rail Freight	6,004,942	2,851,461	3,153,481
Express	(204,303)	(323,925)	119,622
Telecommunications	9,753,833	9,315,466	438,367
Bus	(158,745)	270,062	(428,807)
Transport (Star Transfer)	(305,647)	(853,947)	548,300
Lake Nipissing Marine	(128,842)	(97,867)	(30,975)
Hannah Bay Camp	13,721	14,500	(779)
Non-Commercial Operations:			
Rail Passenger	1,813,999	1,598,429	215,570
norOntair	—	—	—
Owen Sound Marine	—	—	—
Remote North Projects	—	—	—
Moosonee Ferry Service	—	—	—
Net Income Before Interest on Debt	16,788,958	12,774,179	4,014,779
Less: Net Interest on Debt	(1,819,564)	(874,738)	944,826
Net Income for the Year	18,608,522	13,648,917	4,959,605

General

Net income in 1983 was $18,608,522, a record high for the Commission and better than anticipated.

This favourable result was achieved in spite of a drop of approximately 2% in freight tonnage. Expenses, especially those associated with freight train operations, were reduced to combat the lower traffic performance and to such an extent that actual expenditures in 1983 were $300,000 less than 1982.

Most operations, other than rail, operated at or near 1982 levels.

During the year disposition of a number of bond investments contributed $1,770,000 to the net income for the year.

The loan to the Province of Ontario was reduced by $15,000,000 as a result of a request for early and accelerated repayment of interest bearing debt.

Capital expenditures during the year amounted to $9,957,000. Some capital plans were deferred to 1984 because of the traffic declines being experienced. Rail Operations spent $6,800,000 and this included $1,300,000 for a new lathe in the Wheel Shop in North Bay. The Communications Group expended $3,100,000 for new facilities.

4% was added to all pensions in effect as of December 31, 1981, in order to help reduce the effects of inflation on former employees.

While it is not anticipated that the record results of 1983 will be repeated in 1984, it is expected that it will be another successful year for the Commission.

On the following pages we have elaborated upon the year's performance.

Yours truly
P.A. Dyment
General Manager

REVIEW OF OPERATIONS

RAIL SERVICES

For a variety of reasons customer carload shipments were reduced from expectations. Train Operations did an admirable job of consolidating trains and the result of the effort to run larger but fewer trains compensated for the revenue drop. There was some minor negative impact on a few customer services but it was deemed necessary as a temporary measure in view of the circumstances.

Mechanical forces performed a number of major work programs involving Ontario Northland equipment in the North Bay shops. These included the overhaul of four locomotives which had accumulated over 500,000 miles each and the conversion of three retired passenger cars to sleeping cars for summer work gangs.

Two auxiliary power units were completed and shipped to GO Transit, completing a three unit order initiated in 1982. Negotiations between GO Transit and Ontario Northland resulted in a commitment for Ontario Northland to overhaul sixteen locomotives over a four year period. By year's end, two of these units had been completed and returned and a third was undergoing overhaul. An agreement was also reached whereby Ontario Northland undertook to perform a substantial part of the GO Transit locomotive and passenger car wheel rebuilding work.

Some locomotive and coach work for Urban Transportation Development Corporation was completed during 1983. Efforts to attract outside contract work wherever possible continued and several minor contracts were obtained.

During 1983 mainline rail beds were improved with 11 miles of new rail, 7 miles of which were continuous welded; 6 miles of secondhand rail was also laid. 50,000 track ties were replaced during the year.

A program of rock ballasting between Cochrane and Fraserdale continued with the application of some 60,000 tons of crushed rock over a span of 10 miles.

Better utilization of ONR freight cars was achieved to the tune of a 51% improvement over the previous year in a major area. Computerization of car service records continued with improvement in accuracy and information availability.

Efforts to modernize equipment and methods and to maintain an acceptable balance of revenue, expenses and capital program will continue with the objective of wherever possible making efficiencies and innovations with lay-off as a last but hopefully not used resort. This approach resulted in negligible lay-off in 1983 despite reduced traffic.

TELECOMMUNICATIONS

The levelling trend which was experienced in 1982 with respect to message growth was evident through 1983 as well, with a modest increase being realized. Nonetheless, due in part to growth as well as to rate increases in September of 1982 and 1983 in line with restraint programs, revenue from the message toll, WATS and INWATS services grew by approximately ten percent, to more than $26 million. This, coupled with continued strong showings in Circuit Lease revenues and tightly controlled expense spending, resulted in a five percent increase in net revenue.

During the year, the Branch maintained its longstanding commitment to take advantage of technological advances in providing more and better services to its customers. The latest in digital technology was employed in the major expansion of switching facilities in Timmins, and the replacement of microwave facilities from Cochrane to Smooth Rock Falls and from Hearst to Calstock. Further applications of this advanced technology are in progress in the modernization and expansion of exchange switching in Moosonee and the planned modernization of facilities in the New Liskeard area. Exchange telephone service in the Tomiko and McLaren's Bay area was upgraded to dial operation, and air-to-ground telephone service to private aircraft users was implemented via a new radio station in Moosonee.

Aware of the complex issues of the industry today and the increasing need to keep pace with technological advances in order to provide for the service demands of tomorrow, the Branch remains confident in its ability to seek out opportunities and meet the needs of the future.

FREIGHT SERVICES

Freight revenues of $41.9 million represented an increase of approximately 4% over the previous year. The 4.8 million tons handled were about 2% less than the previous year and about 6% less than anticipated.

The mining and forest sectors continue to be the main source of Ontario Northland carload freight movements with approximately 84% of the shipments being generated by these industries.

Shipments of newsprint, except for some slight improvement in the latter part of the year, did not recover from the depressed levels experienced in the previous year. Iron ore movements, affected by slow recovery in steel markets and the oversupply of competitive product in world markets, were approximately 11% lower than in 1982. Other commodities were shipped at depressed levels. Increased shipments of some mining products and some new business helped to reduce but not entirely overcome the net effect of the lost traffic.

Operational changes by the Rail Services group were instituted to improve the net income of carload freight operations but some customer service deficiencies were experienced.

Fifteen bulkhead flat cars were purchased to be added to existing equipment allocated for the movement of pulpwood traffic.

Express Services revenues decreased 7% over the previous year despite a one percent growth in the number of shipments handled. The loss in revenue stems in large part from rate decreases in the heavier weight brackets on groceries and the introduction of an economical food-stuff tariff between Ontario Northland points.

Star Transfer continued to pose a dilemma and late in the year it was approved to retain the transport operation as an integral part of the total ONTC freight business but in Northeastern Ontario only. Efforts by year end were underway to do this.

PASSENGER SERVICES - RAIL

During 1983 regular Ontario Northland rail travel experienced an increase in the number of passengers using the regular services.

The Northlander Service enjoyed a 4.5% improvement over the previous year in passenger carryings, with about 55,000 passengers travelling between Timmins-Kapuskasing and Toronto. More than 70,000 people travelled the overnight train between northern points and Toronto and between Cochrane and Moosonee, a 1.3% increase over 1982.

Intensive efforts continued by the staffs of the Commission and the parent Ministry of Northern Affairs to determine the complexion of passenger train travel in the Northeastern Ontario Corridor. Resolution of future plans for rail travel and announcement of them is expected early in 1984.

PASSENGER SERVICES - BUS

Highway Services provided bus transportation for slightly in excess of 200,000 persons, down 5% from 1982. The decrease in the number of passengers was offset in part by a small fare increase resulting in passenger revenue improvement of 2%. Bus Parcel Express shipments were down 5% in 1983 reflecting increased competition in the carriage of small parcels.

The major improvement, as in 1982, was a 20% increase in bus tour revenue with more than 1,400 passengers travelling to various North American destinations.

The sale of one bus has reduced the fleet to seventeen highway motor coaches. The purchase of new highway coaches has been deferred until 1984 because of reduced passenger demands.

Route and schedule changes planned for 1984 are expected to reverse the declining profit trend being evidenced.

NORONTAIR

Reflecting the depressed state of the regional economy, norOntair suffered a 14% decline in traffic during 1983 from the previous year. In reaction to slumping traffic, scheduled flight operations were reduced by 11% from 1982. On a more positive note, freight and small package shipments were up 25% and 15% respectively over the year. In addition there was a marked improvement in operational performance. During the year norOntair achieved 96.7% reliability which is up fully 3% over the previous year. In addition on-time performance was improved by 3%.

During the year many activities took place with respect to the upcoming addition to the norOntair fleet of the deHavilland of Canada Dash 8. The Dash 8 is presently scheduled to join the norOntair fleet in the fall of 1984. Preparation for this major change will include an extensive training program which will highlight norOntair activities in 1984.

MARINE SERVICES

While the traffic for M.S. Chi-Cheemaun was disappointing it did show signs of reviving in late summer and ended slightly down from the previous year.

Cost reducing measures were introduced with savings realized in fuel by reducing speed in the spring and fall and by lowering wage costs by adjustments of the engine room staff during the winter. The mezzanine decks again proved their usefulness by reducing the back-log of traffic and the congestion at the terminals during peak periods. The office staff in Owen Sound was relocated to a converted C.N.R. Station in mid-June.

Passenger volume was good on the Chief Commanda II but freight revenues were down. Scheduled operating hours for the Chief Commanda II were decreased by fifty-six in 1983 and these hours were filled with more cost compensatory charters with a resultant increase in restaurant revenue also.

The Moosonee Ferry Service provided by the M/V Manitou Island II completed its seventh year of service with revenue up slightly over 1982 but net profit was down due to a major overhaul on some of its machinery. General supply traffic remained constant while construction related traffic increased during the short season.

TOURISM AND PUBLIC AFFAIRS

1983 marked the 20th continuous season of operation of the Polar Bear Express with passenger ridership climbing from 1,400 persons in its initial season to almost 20,000 in 1983. During 1983 the Northlander/Polar Bear Package was a very popular offering with 1,258 patrons enjoying the benefit of the all inclusive package with the majority travelling from Southern Ontario. The major area of growth was 94 bus tours utilizing the Polar Bear Express in 1983, an increase of 28% over the preceding year.

This substantial increase was generated mainly by participation at tourism promotion conferences such as Rendezvous Canada and the Ontario Motor Coach Association's Market Place.

At Hannah Bay Goose Camp corporate bookings were generally reduced in numbers. Companies that were in former years bringing in guests in larger groups reduced their demand dramatically. A general decline was experienced by other goose camps in the James Bay area. While revenues declined there was also an offsetting improvement in expenses and the overall result of the Camp was similar to 1982.

HUMAN RESOURCES

During 1983 all personnel and labour related concerns were strengthened by the re-organization of all associated functions into the newly named Human Resources Branch. The prime motivation for this action was to improve all facets and activities associated with employees and pensioners and to provide the employees and the Commission with a senior staff member who would handle related matters.

Improved hiring, appraising of performance, assessment for promotion or career improvement, better training, concern for pensioners were some of the areas receiving concentrated attention. Further activity in these and other areas such as safety, workers' compensation, labour agreement matters are planned.

During the year, most wages were restricted to increases allowed by applicable wage guidelines.

An ad-hoc increase of 4% was given to pensioners who had retired prior to December 31, 1981.

ONTARIO NORTHLAND TELECOMMUNICATIONS

The Ontario Northland Telecommunications is a branch of the Ontario Northland Transportation Commission and operates in a geographical area generally recognized as Northeastern Ontario, with its serving territory extending from North Bay in the south to Winisk (on Hudson Bay) in the north, and from the Quebec border on the east to Flynn Lake on the west. The branch provides a complete spectrum of modern telecommunications services, including long distance service, WATS, private line voice and data, CBC program and video, telegraph, telex, as well as local telephone service to five communities. The facilities of the branch connect to all of the local exchanges in its serving territory and, through inter-connection with the systems of other telecommunications carriers, provides for the transmission of messages to and from all corners of the world.

The telecommunications endeavours began with the installation of telegraph lines to assist the construction forces building the Temiskaming and Northern Ontario Railway (T. & N.O.) The commercial communications business evolved to provide for the telegraph and telephone service requirements of the early settlers and the flourishing natural resources industries.

In the first three years of operation the expenditures for the telegraph division were slightly more than $21,000., the cost to construct a pole line from North Bay to New Liskeard (MP 112.35). In 1905 the T. & N.O. entered into a telegraph agreement with the Canadian Pacific Railway Company to cover interchange of telecommunications business, "one with the other", and establish through rates. Under this agreement the T. & N.O. placed an operator and a messenger in a CPR office in North Bay. With telegraph service now being offered to the public, the T. & N.O. in 1905 earned $4,697.07 from its "telecommunications" operations.

Within this time frame telephone lines were being strung from North Bay to Mileage 20. Telephones were installed in the stations at North Bay Junction and Widdifield. The line between North Bay and Temagami consisted of four copper wires, with two wires being extended from Temagami to New Liskeard.

On January 22, 1906, an agreement was signed with the Bell Telephone Company of Canada Limited, which provided for the inter-exchange of "telephonic conversation and messages" between subscribers of each system.

In 1906 the telegraph and telephone division earned $20,514, in revenues, an increase of more than 300 percent from the previous year, and an indication, in retrospect, of the potential for growth that would be experienced in the telecommunications business in the ensuing years.

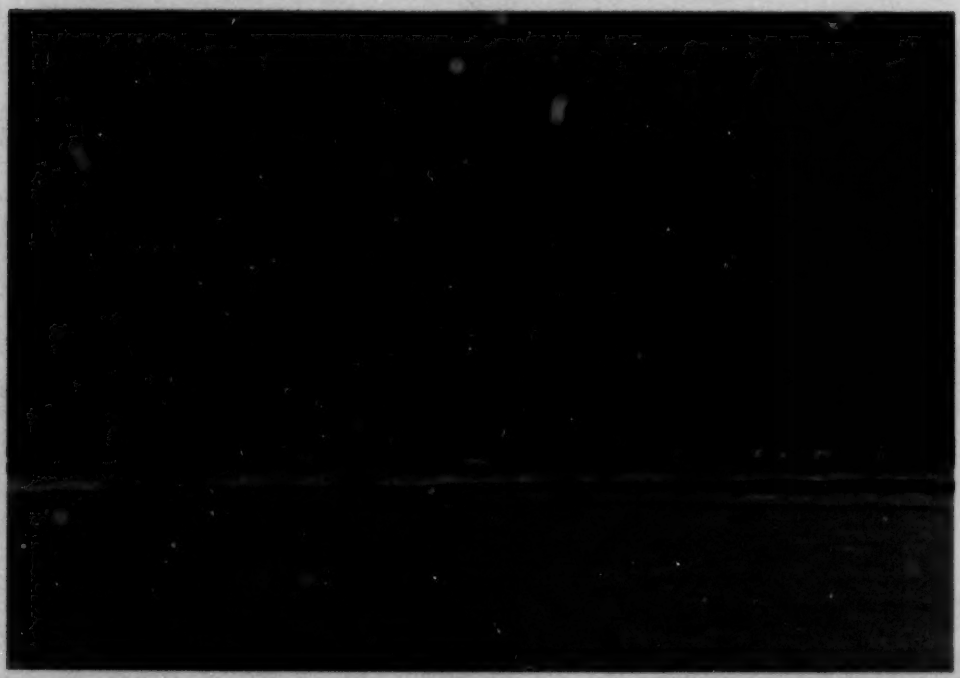
The settlement of Northeastern Ontario by farmers, miners and forestry workers, resulted in increased demand for public telecommunications services. As well, technology was rapidly developing new ways to meet these service demands.

A microwave system was constructed between North Bay and Moosonee and Lowther, between 1961 and 1963. The microwave system was extended to Timmins in 1969. Microwave routes now exist throughout Ontario Northland's territory, replacing open wire to serve the modern telecommunications needs of Northeastern Ontario subscribers. Ontario Northland's commitment to meet the demands of its customers for modern, sophisticated telecommunications services through the deployment of state-of-the-art technology is demonstrated by the continuing capital investment of the Telecommunications branch. In 1947, $1.3 million had been spent on capital projects; by 1967, $15.5 million had been invested to expand and upgrade facilities. More than $50 million is now invested in the Telecommunications branch.

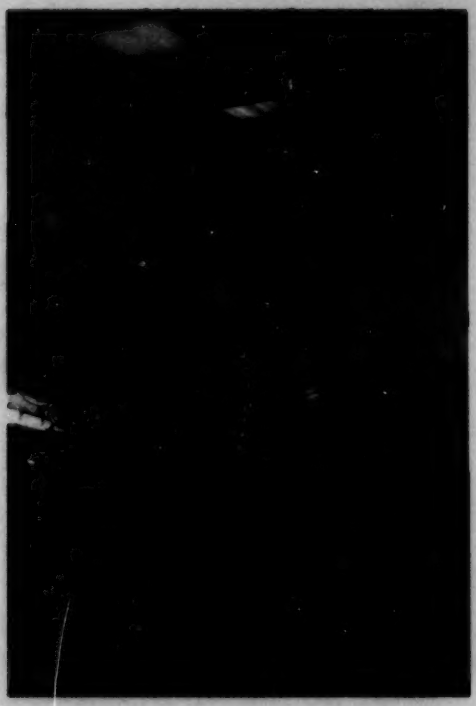
The branch continues to be best known for the provision of long distance facilities; however, it also provides the local exchange services in the communities of Moosonee, Moose Factory, Temagami, Temagami Island and Marten River. Its customers for private line, voice and data services include many businesses, both large and small, throughout Northeastern Ontario and as well include such organizations as Ontario Hydro, TransCanada PipeLines, Ministry of Transportation and Communications, Ministry of Natural Resources, the Federal Government and the Department of Transport.

The branch employs modern digital carrier systems to serve some areas and has plans to introduce to Northeastern Ontario the use of fibre optics transmission facilities within the next year. As well, Ontario Northland employs satellite technology to serve the remote village of Winisk. The branch has two major switching centres, located at Timmins and New Liskeard, and has two operator centres, located at Timmins and Cochrane and has 170 employees throughout Northeastern Ontario.

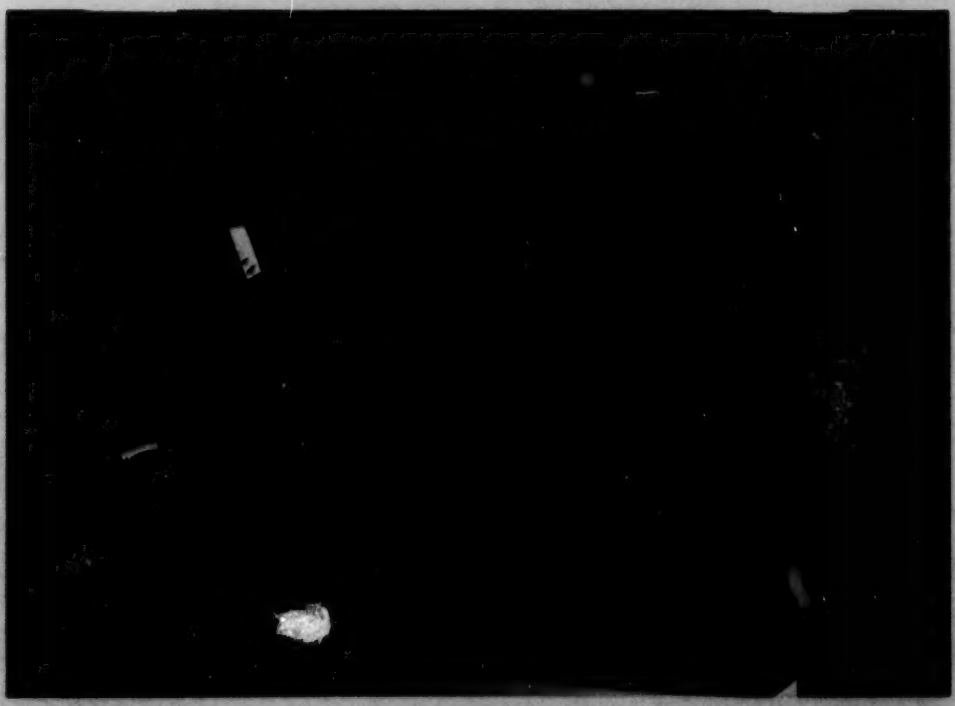
Tractor train transporting fuel oil to microwave sites at Big Piskwanish, Cockispenny Point and Big Willow River



Riverside view of Attawapiskat - a typical scene of the James Bay settlements with the predominant structures of the church building and the microwave tower

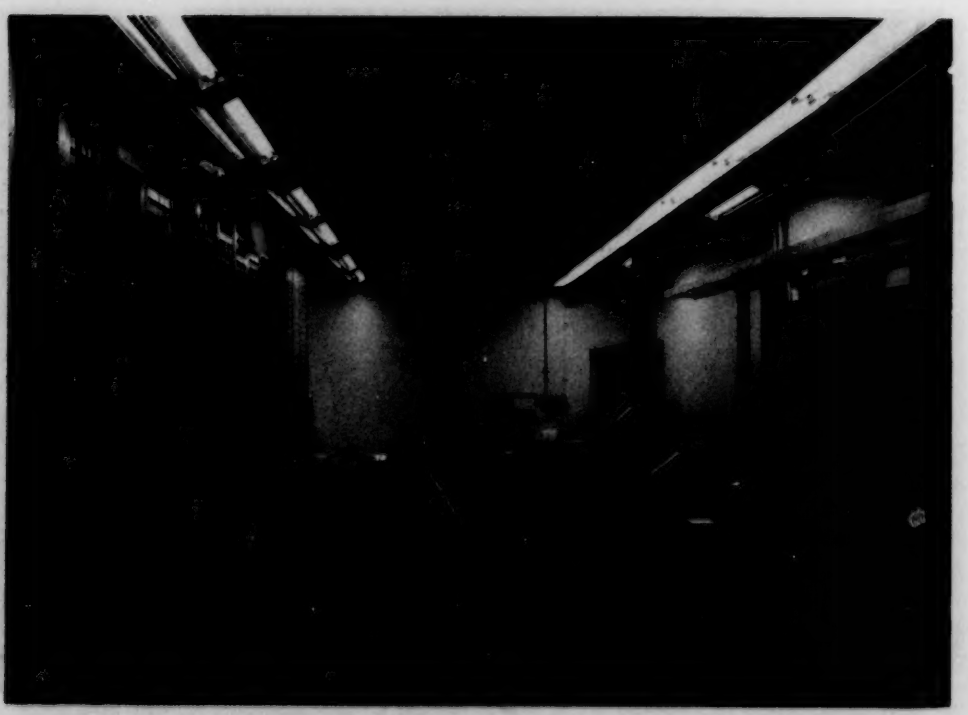


Manually-operated cord-type switchboard

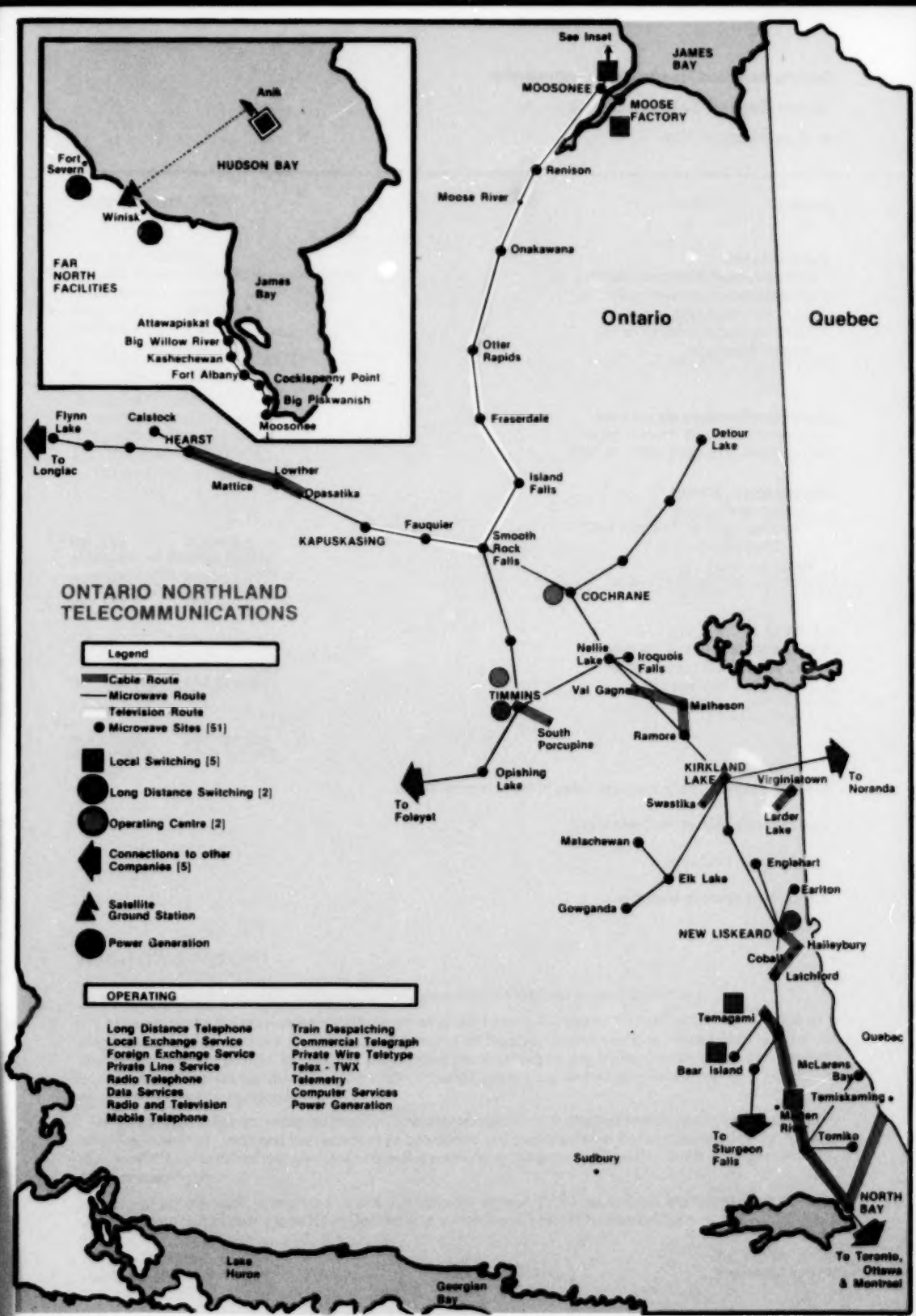


A computer-controlled switchboard

State-of-the-art long-distance switching equipment



Service control centre for the system


See Inset
JAMES BAY
MOOSONEE
MOOSE FACTORY
Renison
Moose River
Onakawana
Ontario
Quebec
Otter Rapids
Fraserdale
Island Falls
Detour Lake
Smooth Rock Falls
COCHRANE
KAPUSKASING
Fauquier
Lowther
Mattice
Opasatika
Flynn Lake
Calstock
HEARST
To Longlac
ONTARIO NORTHLAND TELECOMMUNICATIONS
Legend
Cable Route
Microwave Route
Television Route
Microwave Sites (51)
Local Switching (5)
Long Distance Switching (2)
Operating Centre (2)
Connections to other Companies (5)
Satellite Ground Station
Power Generation
OPERATING
Long Distance Telephone
Local Exchange Service
Foreign Exchange Service
Private Line Service
Radio Telephone
Data Services
Radio and Television
Mobile Telephone
Train Despatching
Commercial Telegraph
Private Wire Teletype
Telex - TWX
Telemetry
Computer Services
Power Generation
Nellie Lake
Iroquois Falls
TIMMINS
Val Gagne
Matheson
South Porcupine
Ramore
Opishing Lake
To Foleyet
KIRKLAND LAKE
Virginiatown
To Noranda
Swastika
Larder Lake
Matachewan
Elk Lake
Englehart
Earlton
Gowganda
NEW LISKEARD
Haileybury
Cobalt
Latchford
Temagami
Quebec
Bear Island
McLarens Bay
Temiskaming
Matheson
Rapids
Tomiko
To Sturgeon Falls
Sudbury
NORTH BAY
To Toronto, Ottawa & Montreal
Lake Huron
Georgian Bay
Anik
HUDSON BAY
Fort Severn
Winisk
FAR NORTH FACILITIES
James Bay
Attawapiskat
Big Willow River
Kashechewan
Fort Albany
Cockispenny Point
Big Piskwanish
Moosonee

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31, 1983

Assets	1983 $	1982 $
Current Assets		
Cash and short term investments	6,934,638	3,300,760
Marketable securities at cost	—	272,830
Accounts receivable	14,299,696	13,779,643
Materials and supplies (note 1b)	3,890,821	4,844,897
Prepaid expenses	167,569	122,559
	25,292,724	22,320,689
Long Term Investments - at cost		
Government Bonds (Market value $18,870,000; 1982 - $26,175,000)	18,263,865	23,066,781
Other Assets - at cost		
Self Insurance Fund (Market value $1,039,800; 1982 - $869,000) (note 3)	1,040,474	844,288
Bus Franchises	297,679	297,679
Investment in Telesat Canada	150,000	150,000
	1,488,153	1,291,967
Investment in Property - at cost		
less accumulated depreciation (Schedule 1 and note 1c)	145,152,543	147,297,702
	190,197,285	193,977,139

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1983 $	1982 $
Current Liabilities		
Accounts payable and accrued charges	**17,226,670**	21,392,374
Debenture payable - current portion	**—**	1,937,500
	17,226,670	23,329,874
Provision for Self Insurance (note 3)	**1,040,474**	844,288
Long Term Debt		
Note due 2003 (note 4)	**22,500,000**	37,500,000
Loan from Province of Ontario non-interest bearing	**35,207,935**	35,207,935
Obligation under capital lease (note 5)	**197,840**	371,497
	57,905,775	73,079,432
Province of Ontario Equity		
Contributed surplus (note 1c)	**13,534,751**	14,842,452
Retained income	**100,489,615**	81,881,093
	114,024,366	96,723,545
	190,197,285	193,977,139

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1983 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

Toronto, Ontario,
March 23, 1984.

D.F. Archer, F.C.A.
Provincial Auditor.

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1983

	1983 $	1982 $
Operating Revenues		
- Commercial (Schedule 3)	**84,888,866**	81,649,724
- Non Commercial (Schedule 4)	**13,743,677**	13,916,251
Total Operating Revenues	**98,632,543**	95,565,975
Operating Expenditures		
- Commercial (Schedule 3)	**69,913,907**	70,473,974
- Non Commercial (Schedule 4)	**31,971,805**	31,717,447
Total Operating Expenditures	**101,885,712**	102,191,421
LOSS ON OPERATIONS	**3,253,169**	6,625,446
Government Reimbursement (Schedule 2 and note 8)	**20,042,127**	19,399,625
	16,788,958	12,774,179
Investment Income		
Interest Expense	**(3,337,703)**	(3,614,393)
Interest Earned	**3,382,524**	4,005,325
Gain on sale of bonds	**1,774,743**	483,806
Net Investment Income	**1,819,564**	874,738
NET INCOME FOR THE YEAR	**18,608,522**	13,648,917

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1983

	1983 $	1982 $
Balance, beginning of year	**14,842,452**	15,482,503
Add: — Northlander trainsets	**—**	428,000
— norOntair aircraft and associated equipment	**60,000**	50,276
— Capital expenditures of The Owen Sound Transportation Company, Limited	**23,142**	157,356
	14,925,594	16,118,135
Less: depreciation charges for the year	**1,390,843**	1,275,683
Balance, end of year	**13,534,751**	14,842,452

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1983

	1983 $	1982 $
Source of working capital		
Net income for the year	**18,608,522**	13,648,917
Add items not requiring an outlay of working capital		
- depreciation expense	**6,322,611**	6,116,851
- amortization of discount on bonds	**(314,354)**	(373,525)
- gain on sale of bonds	**(1,774,743)**	(483,806)
Working capital provided from operations	**22,842,036**	18,908,437
Proceeds on disposal of property	**4,388,924**	648,237
Reimbursement of capital expenditures by Province of Ontario	**83,142**	635,632
Proceeds on sale of bonds	**17,762,888**	4,685,000
	45,076,990	24,877,306
Use of working capital		
Addition to investment in property	**9,957,219**	20,254,969
Purchase of bonds	**10,870,875**	19,285,071
Reduction of debentures	**15,000,000**	1,937,500
Reduction of obligation under capital lease	**173,657**	153,493
	36,001,751	41,631,033
Increase (decrease) in working capital	**9,075,239**	(16,753,727)
Working capital, beginning of year	**(1,009,185)**	15,744,542
Working capital, end of year	**8,066,054**	(1,009,185)
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease)		
Cash	**3,633,878**	(13,767,322)
Marketable securities	**(272,830)**	—
Accounts receivable	**520,053**	(1,507,201)
Materials and supplies	**(954,076)**	432,570
Prepaid expenses	**45,010**	(133)
	2,972,035	(14,842,086)
Current liabilities - (increase) decrease		
Accounts payable and accrued charges	**4,165,704**	(99,141)
Debenture payable	**1,937,500**	(1,812,500)
	6,103,204	(1,911,641)
Increase (decrease) in working capital	**9,075,239**	(16,753,727)

Consolidated Statement of Retained Income

for the year ended December 31, 1983

	1983 $	1982 $
Balance, beginning of year	**81,881,093**	68,232,176
Add net income for the year	**18,608,522**	13,648,917
Balance, end of year	**100,489,615**	81,881,093

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Investment in Property

Schedule 1

as at December 31, 1983

	1983 $	1982 $
Rail — Roadway	**91,428,524**	87,409,957
— Buildings	**12,997,692**	13,928,162
— Equipment	**39,394,547**	39,271,705
Telecommunications	**50,354,932**	45,197,178
Buses	**2,245,936**	2,328,106
Boat	**927,413**	927,413
norOntair aircraft	**7,947,639**	7,947,639
Remote North power and communications	**241,326**	241,326
Star Transfer Limited — vehicles	**3,968,310**	3,962,246
— other	**916,320**	5,050,905
The Owen Sound Transportation Company, Limited — vessel	**9,665,356**	9,665,356
— other	**228,992**	211,245
Gross investment in property	**220,316,987**	216,141,238
Less accumulated depreciation	**77,987,448**	73,263,974
Net investment in property	**142,329,539**	142,877,264
Under construction	**2,823,004**	4,420,438
	145,152,543	147,297,702

See accompanying schedules and notes to financial statements.

Schedule of Provincial Government Reimbursement

Schedule 2

for the year ended December 31, 1983

	1983 $	1982 $
From Province of Ontario		
Cochrane - Moosonee branch line	**6,884,169**	6,953,179
Main line passenger train	**5,866,118**	5,463,807
Northlander	**4,105,684**	3,949,753
Remote North power and communications	**270,425**	261,979
Air services - norOntair	**2,929,606**	2,765,216
Moosonee ferry	**68,882**	60,100
	20,124,884	19,454,034
The Owen Sound Transportation Company, Limited profit	**(82,757)**	(54,409)
Total Provincial Government reimbursement (note 8)	**20,042,127**	19,399,625

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Commercial Operations

Schedule 3

for the year ended December 31, 1983

	1983 $	1982 $
Rail Freight Services		
Revenue	**41,996,274**	40,337,538
Expenditures	**35,991,332**	37,486,077
Income from Operations	**6,004,942**	2,851,461
Express Services		
Revenue	**1,136,156**	1,226,250
Expenditures	**1,340,459**	1,550,175
Loss from Operations	**(204,303)**	(323,925)
Telecommunications		
Revenue	**30,918,454**	28,656,679
Expenditures	**21,164,621**	19,341,213
Income from Operations	**9,753,833**	9,315,466
Bus Services		
Revenue	**3,736,521**	3,646,085
Expenditures	**3,895,266**	3,376,023
Income (loss) from Operations	**(158,745)**	270,062
Transport Services		
Revenue	**6,745,742**	7,432,685
Expenditures	**7,051,389**	8,286,632
Loss from Operations	**(305,647)**	(853,947)
Marine Services (North Bay)		
Revenue	**253,255**	254,871
Expenditures	**382,097**	352,738
Loss from Operations	**(128,842)**	(97,867)
Tourist Facilities (Hannah Bay)		
Revenue	**102,464**	95,616
Expenditures	**88,743**	81,116
Income from Operations	**13,721**	14,500
Total Commercial Operations		
Operating Revenues	**84,888,866**	81,649,724
Operating Expenditures	**69,913,907**	70,473,974
Income from Operations	**14,974,959**	11,175,750

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Non-commercial Operations

Schedule 4

for the year ended December 31, 1983

	1983 $	1982 $
Rail Passenger Services		
Revenue	**5,713,259**	5,316,868
Expenditures	**20,755,231**	20,085,178
Loss from Operations	**(15,041,972)**	(14,768,310)
Government Reimbursement	**16,855,971**	16,366,739
Net Gain from Operations	**1,813,999**	1,598,429
Air Services (norOntair)		
Revenue	**4,016,416**	4,631,080
Expenditures	**6,946,022**	7,396,296
Loss from Operations	**(2,929,606)**	(2,765,216)
Government Reimbursement	**2,929,606**	2,765,216
	—	—
Marine Services (Owen Sound)		
Revenue	**3,671,695**	3,711,777
Expenditures	**3,588,938**	3,657,368
Income from Operations	**82,757**	54,409
(Returned to) Province of Ontario	**(82,757)**	(54,409)
	—	—
Marine Services (Moosonee)		
Revenue	**55,726**	50,841
Expenditures	**124,608**	110,941
Loss from Operations	**(68,882)**	(60,100)
Government Reimbursement	**68,882**	60,100
	—	—
Remote North Communications		
Revenue	**134,573**	59,655
Expenditures	**345,426**	288,654
Loss from Operations	**(210,853)**	(228,999)
Government Reimbursement	**210,853**	228,999
	—	—
Remote North Power		
Revenue	**152,008**	146,030
Expenditures	**211,580**	179,010
Loss from Operations	**(59,572)**	(32,980)
Government Reimbursement	**59,572**	32,980
	—	—
Total Non-commercial Operations		
Operating Revenues	**13,743,677**	13,916,251
Operating Expenditures	**31,971,805**	31,717,447
Loss from Operations	**(18,228,128)**	(17,801,196)
Government Reimbursement	**20,042,127**	19,399,625
Net Gain from Operations	**1,813,999**	1,598,429

See accompanying schedules and notes to financial statements.

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly owned subsidiaries, Star Transfer Limited and the Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Barges	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for the use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

2. Contingent Liabilities

The Commission records and pays for the cost of injuries to its employees on a cash basis as accounts are received from the Workers' Compensation Board of Ontario. A deposit of $50,000 is held by the Workers' Compensation Board of Ontario for this purpose. No provision has been made in the accounts for current or future liabilities.

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged breach of contract. The amount claimed totals approximately $1,300,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

3. Self-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage. Annual contributions to the Self-Insurance Fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets.

4. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for $37,500,000. Terms of the note require interest to be paid semi-annually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note and a final payment of 5.5 percent in 2003.

During the year the Commission repaid $15,000,000 of this note at the request of the Government of Ontario.

Negotiations are presently underway between the Commission and the Government of Ontario to revise the original repayment terms of this note.

5. Capital Lease

The Commission's subsidiary, Star Transfer Limited, acquired 50 trailers costing $1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, terminate the lease at any renewal date.

The purchase price of the trailers at any time is their depreciated value as provided in the lease agreement, plus 3 per cent thereon.

Interest on the obligation under capital lease is calculated at the approximate rate of 11.25 per cent per annum on the outstanding balance.

6. Related Party Transaction

During the year, the Commission sold to the Ontario Northland Transportation Commission Contributory Pension Fund, a Fund administered by the Commission on behalf of its employees, bond investments for total proceeds of $3,199,000. This transaction took place at market value and resulted in a gain on sale to the Commission of $555,000. There were no amounts due or payable on this transaction at year end.

7. Contributory Pension Fund

Based on the December 31, 1982 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals $33,837,143. Of this amount $19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of $14,394,036 represents the unfunded liability revealed subsequent to that date.

The Commission and its subsidiaries are making payments of interest and principal into the Fund in accordance with the Regulations under the Pension Benefits Act. These payments, amounting to $3,345,117 per year, have the effect of:

— preventing an increase in the initial unfunded liability (annual payment - $1,361,017);

— liquidating the balance of the unfunded liability over a period ending December 31, 1997 (annual payment - $1,984,100).

8. Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Affairs, certain operations of the Commission have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, which is the lower of 9.325% and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

9. Star Transfer Limited

In previous years it was reported that the Ministry of Northern Affairs had approved the disposal of the company and that the Board of Directors was negotiating with interested parties for a possible sale. However, on January 25, 1984 the Cabinet of Ontario approved in principle the integration of the company's operations with those of the Ontario Northland Transportation Commission's Rail and Express services. The Minister of Northern Affairs was requested to review with Management Board of the Cabinet the timing and business plan required to implement such integration.

Subsequently, the company has negotiated an agreement with another trucking company, Kingsway Transport Limited, to interline all freight traffic south of North Bay, subject to the approval of the Ontario Highway Transport Board. The agreement is expected to take effect on May 7, 1984 and commencing that day the company's services would be restricted to those communities situated north of North Bay.

This action follows the sale of the company's Toronto terminal in December 1983.

10. Comparative Figures

Prior year figures have been reclassified where necessary to conform to the current year's presentation.